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BUY4NOW: IRELAND'S ONLINE SHOPPING CENTRE*

Joseph Coughlan and Aileen Kennedy

INTRODUCTION

In February 2004 the CEO of Buy4Now, Ali Murdoch, finds himself in the enviable position of having several growth avenues and opportunities for company expansion to pursue. Domestically, he has issues such as customer acquisition and retention, new processes such as Central Checkout technology, growth in the adoption of broadband technology, the addition of new partners to the portal and the management and growth of advertising revenue demand attention. Recruiting additional staff is also on the agenda for 2004 across several functional areas.

Internationally, the company is on the brink of a breakthrough into the US market and massive changes have been made within the organisation as of January 2004 to facilitate the international side of the business, including the redeployment of key personnel and the appointment of a new General Manager for Ireland, Pat Golden. Though a hugely exciting and potentially lucrative prospect, establishing a presence in the US raises several managerial issues and challenges for the group's CEO Ali Murdoch and Buy4Now's management team.

BUY4NOW COMPANY BACKGROUND

Buy4Now was launched in October 2000 as an innovative virtual shopping centre offering Irish customers a fast, convenient and hassle-free way of going shopping. The

* The case is based on a real-life situation. No figures have been disguised. It is intended as a basis for class discussion, rather than to illustrate either effective or ineffective management practices.

company adopted a clicks and mortar approach to online retailing combining well known and strongly branded Irish stores such as Arnotts, Atlantic Homecare and Eason in one central location www.buy4now.ie.

Buy4Now is based on an Application Service Provider (ASP) model which manages websites for these retail partners. Instead of operating warehouses orders are taken and sent to the retail store closest to the customer. The Buy4Now model is based on the same premise as bricks and mortar shopping centres, an anchor tenant operates a large grocery store, in this case Superquinn, and other shops feed from that. Buy4Now was the first portal of its kind to take this approach in Europe (Appendix 1).

A prerequisite to success was the ability to market this concept of a virtual clicks and mortar shopping centre to investors and retailers. In a difficult B2C environment Buy4Now successfully attracted investors such as eircom, Superquinn, Heiton Holdings plc. as well as European middleware company Unipower all of whom have remained (Appendix 2). It has positioned itself as a unique proposition in Ireland with real stores, strong retail partners and a centralized fulfilment solution. The five original promoters of Buy4Now have brought a variety of skills to the management team including marketing, sales, technical, and retail experience (Appendix 3).

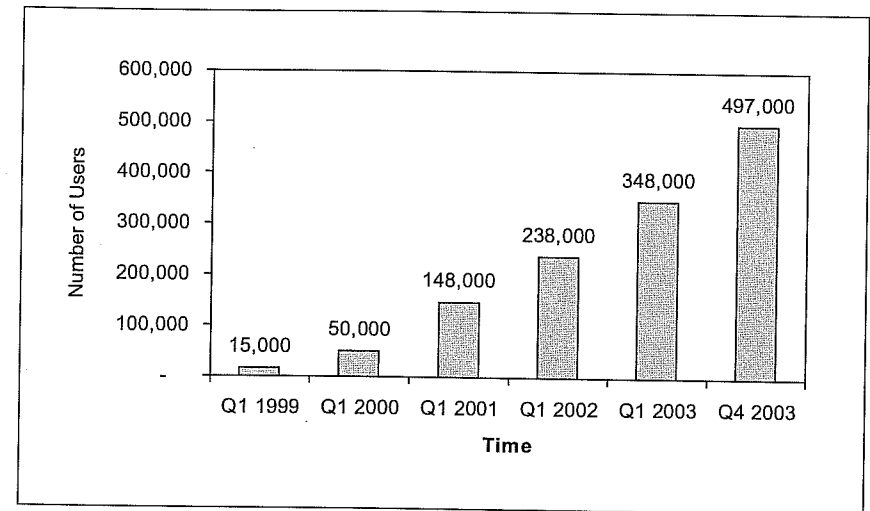
Now in its fourth year of operations, Buy4Now is forecasting revenues of €18 million for the year ended 31st March 2004 aided by the uptake of broadband within the market which has helped boost e-commerce activity in Ireland, and the company remains cautiously optimistic, hoping to maintain their position as Ireland's largest e-tailer and the focal point for on-line shopping in Ireland.

THE ONLINE MARKET IN IRELAND

The number of users online in Ireland is increasing steadily year on year with figures from 2003 showing 1,295,000 Irish adults using the Internet. This represents 45% of all Irish adults (www.comreg.ie). However, not all of those are purchasing online as can be seen from Figure 1.

The future for online shopping remains reasonable – three

Figure 1: Number of Internet users who have made an online purchase in the last three months



Source: Commission for Communications Regulation (2003) (www.comreg.ie)

in ten Internet users said they were likely to shop online in the next three months. Not having a credit card is the main barrier to online shopping, particularly among younger Internet users. Security concerns continue to be a major barrier. Two-thirds (66%) of Internet users feel that companies are not doing enough to demonstrate the security and safety of online shopping. (www.amarach.com, 2002).

What's driving people to shop online? The ability to shop online at any time of day or night is the most frequently cited benefit. This was especially evident among 25-34 year olds, described as a money-rich, time-poor group who place real value on convenience and are willing to pay a premium to get it. Over four in ten (45%) said they could get better deals or cost-savings by shopping online. The ability to compare products and prices from different websites appealed to a significant number. Avoidance of queues and dealing with salespeople was also considered a major benefit. (www.amarach.com, 2002).

Table 1: Benefits of shopping online from Internet users in last 3 months

<i>Benefits of shopping online</i>	<i>%</i>
I can shop any time of the day or night	48%
I can usually get a better deal/cost-savings	45%
Avoid queues and dealing with sales people	30%
Can compare products and prices from different websites	26%
Better selection of goods and service available	15%
Delivery very convenient	15%
Product/service only available online	14%
Avoid traffic/congestion	14%
Easier with children	9%
Shop too far away from me	8%
Other	4%

All Internet users who made an online purchase in the last 3 months. Multiple Responses Allowed. Source: Amarach Press Release August 20th 2002 (www.amarach.com)

What are people buying online? Table 2 shows the responses from an Irish study conducted by Amarach Consulting on behalf of the Commission for Communications Regulation.

Table 2: Online sales categories of Irish people who had made an online purchase in the last 3 months

Top 10 Online Purchases	Q4 2003*
Airline Tickets	62%
Concert Tickets	29%
Package Holiday	27%
Other travel services	13%
Information	13%
Books	12%
Videos/DVDs	8%
Music	6%
Clothing	6%
Financial Services / Investments	6%

* Multiple responses allowed.

Source: Commission for Communications Regulation (2003) (www.comreg.ie)

However, as shown in Table 3 less than 20% of people definitely expect to purchase online within the next three months but these figures hide the fact that among those who have previously purchased online, 92% plan to do so again (www.comreg.ie 2003).

Forrester Research estimates that online trade in Ireland will increase from 0.6% of total business trade in 2001 to 4.6% by 2004 and within five years will amount to 14%. The most interesting area of such online shopping is likely to be grocery channels which in 2001 accounted for less than 0.5% of overall retail sales (Mintel, 2001).

Table 3: Intention to purchase online over the next 3 months

	Q2 2003	Q3 2003	Q4 2003
Yes – certain	19%	19%	17%
Yes – very likely	25%	24%	31%
No	56%	58%	52%

Source: Commission for Communications Regulation (2003) (www.comreg.ie)

THE BUY4NOW BUSINESS MODEL

In pursuance of a profitable business plan in the B2C sector the Buy4Now business model, unlike other e-tail operations is not based solely on transaction revenues, but also acts as an Applications Service Provider (ASP), providing software fulfilment and hosting for its retail partners.

A common problem with many e-business business plans is that they are over-reliant on future business opportunities from their current customer base. When constructing the Buy4Now model, management aimed for three revenue streams: (a) Transaction % Model: All of the business within the portal results in Buy4Now receiving a transaction percentage (b) Advertising Revenues: as with other portal sites Buy4Now seeks to leverage its viewing numbers with advertising revenue and (c) Recurring Revenues: Buy4Now is an Applications Service Provider (ASP) as well as a retail portal. Providing its partner companies with usage licences and customisation work on their e-commerce sites, Buy4Now

service, as well as providing portal functionality and marketing. In return the company charges a membership and usage/hosting fee. The company is focused on building end-to-end solutions in the online shopping space.

The near term economic challenge with most portals is heavy software development and marketing costs in the start-up period where lower customer numbers fuel less transactional revenues. Buy4Now believes that it has overcome this issue based on a number of factors such as; vendor membership fees and ASP services; customisation services offered and low software development costs due to the relationship with Unipower¹. Software development company Unipower originally took a 6.7% stake in the company and had a technology agreement which saw it market Buy4Now products in the US and Europe. Unipower were the software house that had been originally involved with the Tesco Direct development model.

As described by CEO Ali Murdoch² *"Buy4Now is seen differently by the public than by the retailers, the public would see us as an e-tailer, a retail portal, or as an online shopping centre but our retail partners see us as a software house or as an ASP in the classic form, we host the site and write the software but we're also an ASP that on the front-end does all the marketing and on the back-end, on the vertical integration mode we have a distribution company so as we also do the physical deliveries"*.

By handling the ebusiness strategies of some of Ireland's major retailers Buy4Now guarantees a source of recurring revenue for itself with added opportunities for upside in the transactional revenues. By enabling traditional retailers to outsource their online activities, in return Buy4Now has achieved instant kudos as a place to shop. This overcomes a key challenge for etailers: encouraging consumers to modify their current shopping habits in favour of Internet shopping, an area where few are succeeding.

Buy4Now harnesses the marketing and customer management techniques of the new economy while keeping its feet firmly entrenched in traditional retailing. Having well-

1 www.unipowersolutions.com

2 Interview with Ali Murdoch CEO Buy4Now 20th January 2004

established stores operate under the Buy4Now umbrella has meant that such bricks and mortar partnerships have put the company in a very different position to pure play dotcoms. Appendix 4 provides an overview of established and emerging retail formats.

Buy4Now's business is based on the in store-based picking model which means the company does not maintain a warehouse or inventory, instead its dedicated logistics teams collect goods directly from partner retailers.

Brand building was initially a key issue for Buy4Now with traditional off line promotions originally directing site traffic. Acknowledging that marketing will not compensate for poor service levels, timely and smart delivery is a key element in the service offering. Any order can be tracked on the portal from order received to order picked and delivered.

THE FIRST YEAR

Over the first 12 months of operations Buy4Now succeeded in providing a viable shopping alternative with real brands and stores online. A number of large new bricks and mortar stores were successfully brought online including the *eircom* Store, Louis Copeland, Natures Way, Superquinn4Wine, Galleria Homewares and The Source @ Urbana. These stores all chose to be fully integrated members of the Buy4Now portal using Buy4Now's own Shop4Now software engine. With over two million products and 17 Irish stores trading online, traffic through the portal grew significantly with over 100,000 visitors to the site each month and 2.2 million page impressions.

Food online with Superquinn4Food had a good year with over 25,000 registered shoppers. Food deliveries were available throughout Dublin and the commuter belt stretching as far south as Greystones, as far West as Maynooth and as far North as Lusk. Buy4Now delivered over 1,500 individual food orders per week. With an average order value of €130, statistics for the first full trading year showed that there were 35,000 registered members with Buy4Now; 80,000 individual orders; 1 million visits to the site and 15.5 million page impressions.

By April 2001 Buy4Now was attracting 60,000 visitors a month and was the most viewed shopping site in Ireland.

customers outstripping Amazon.com. A maturing marketing arm was developing within the operation with customers receiving regular emails on product information.

The company announced an exciting deal with *eircom.net* to deliver Ireland's first dedicated gift store (www.giftstore.ie) which represented the *eircom.net* shopping channel. This store provided customers with the ideal gift for any occasion and was available on both Buy4Now and the *eircom.net* homepage. It was a significant investment by *eircom* in online business and further backed the Buy4Now approach (Appendix 5).

Eason, one of the first Irish retailers to transact online, also bought into the Buy4Now model and a new site was launched in time for 'back to school' promotions in August, involving over 1.3 million books. In addition, new contracts were signed with Kashan Carpets, Satellite Sports and Classic Furniture. Buy4Now also commenced work with DMG Direct to launch Ireland's largest on-line entertainment store. With plans for 130,000 CDs, 17,000 videos and 5,000 DVDs, this new DMG Direct store represents Ireland's answer to Amazon.com.

The company acknowledged that the on-line industry was continuing to suffer from what is known as "abandon cart syndrome", where customers became bored or panic at the cost of items and abandon their on-line shopping baskets before purchasing. While the industry norm is 60 percent the Buy4Now level of fallout was lower at 50 percent. Food remained the busiest section of the site.

In April of its first year the company began looking into the possibility of creating a subsidiary to sell the ordering and product picking software it had developed. Despite the continuing gloom in the dotcom business, Buy4Now continued to receive enquiries from the US and Europe about copying its business model.

BUY4NOW LOGISTICS

In 2002 Buy4Now moved into the logistics sphere after acquiring the assets of Irish fulfilment company ITS Logistics Ltd. The purchase, made for €600,000, saw Buy4Now establish a new subsidiary Buy4Now Logistics Ltd. to manage and co-ordinate the majority of the company's food and non-food deliveries. ITS Logistics Ltd., a subsidiary of Irish shipping and delivery company ITS, had been Buy4Now's partner and

primary delivery agent. Buy4Now logistics will be solely focused on B2C delivery and will focus primarily on Internet deliveries. Dublin, Wicklow, Kildare, Meath are all serviced by Buy4Now Logistics and outside of that SDS is used for country-wide deliveries. The deal ensures continuity in terms of supply of service and is seen as fundamental to the growth of the company.

Buy4Now's CEO, Ali Murdoch, stated that e-tailers will stand or fall on their ability to provide a quality shopping experience where customer service including the transit of goods is equal to or better than the services received in a bricks and mortar store. He suggests that *"the only thing that counts on line is convenience. Just like with location, location, location, for us its convenience, convenience, convenience, you can't guarantee convenience using third parties. With food the critical thing is delivering it on time in a quality manner"*³.

While customers still retained some concerns about buying online such as credit card security, timeliness and quality of delivery remain the key concerns. Another issue for the company is that the delivery person is likely to be the only person customers actually meet from Buy4Now for the entire transaction and such boundary-spanning roles require careful management. Ali Murdoch CEO describes the Buy4Now approach *"they (delivery people) are the face for us, we always phone ahead on deliveries, we do everything we can to make it convenient, what suits you (the customer) for delivery"*⁴.

2002

Buy4Now posted strong results for 2002 with turnover up by a third. Expected to follow its fellow dot.com companies into bankruptcy, the site announced profit on sales of €14.75 million for 2002. It earns most of its revenue through its anchor tenant Superquinn. Buy4now also experienced a 100 percent jump in its average number of unique visitors per month, which then amounted to 200,000. Its monthly page impressions exceeded three million, with the number of registered users at 75,000 more than double the 30,800 registered users at the end of 2001, positioning Buy4Now as

³ Ibid

⁴ Ibid

one of Ireland's leading B2C sites alongside Ryanair.com. 2002 also saw the addition of AIB bank to the company's list of clients and partners bringing the total to 18 stores.

THE PARTNERING PROCESS

Buy4now offers its retailers exclusivity on the portal. After initial contact and discussion a contract is drawn up between the parties. The process of building websites for partner companies has become simplified by the development of a standardised customisable content manager system called Shop4Now. A content manager system facilitates the updating of the partners' websites by the in-store staff by giving them online access to the development of their own site; allowing them to add new products, change prices, and amend the content of their own site. Partners take control of their own sites and those that sell physical products, as well as those who are pure online sellers such as 123 Insurance, have to ensure that the system reflects product availability. Partners decide which aspects of their product ranges and assortments go online and need encouragement to use the portal as an enhancer as suggested by CEO Ali Murdoch *"our retail partners take a subset of their products and put them online ... they could have three times their normal products online"*⁵.

Where retailers have multiple units, one store generally takes responsibility for fulfilling orders and maintaining the site, though this is not always the case. A new partner, World of Wonder Toys, has approximately 32 stores across Ireland 20 of which are online. They have a policy that the nearest of their stores to the customer receives the order, which has caused complications in the management of the back-end operation.

Partners need to dedicate a lot of time and resources to their online presence. Arnotts originally had one person in charge of their content, now they are getting product photographs taken several times a week and have taken on extra people to manage the online project. As suggested by Buy4Now's Content Manager, *"a retailer needs to maintain the site, they need to keep the content fresh, they need to push it and bit by bit they will build a database of customers who will come back, but*

5 Ibid

*it just does not happen*⁶. Partners also contribute to the Members Board where investors and retailers meet with Buy4Now management every two months. Marketing plans are discussed and Buy4Now management can seek the cooperation of their partners in promotional campaigns and other marketing initiatives.

Buy4Now have developed their own Order Fulfilment System (OFS4Now) which allows retailers to view orders on their websites. Retailers receive orders and then pick the items from the shop floor. As the orders are filled they are updated on the system so that the customer can view their order status. Updates to the OFS4Now system link to the warehouse system operated by Buy4Now Logistics and to the Buy4Now portal and call centre system, allowing customer queries to be efficiently and effectively dealt with. Deliveries are made with company branded vans. The next stage for the company is the Central Checkout project. As described by Buy4Now's Content Manager, Central Checkout is based on the idea that *"you (the customer) would have one big basket with a book from Easons, a set of bed linen from Arnotts and a piece of jewellery from Applebys and just go to one checkout and use your credit card once and pay for hopefully one smaller delivery fee and have everything delivered in one go, because at the moment it is three separate deliveries"*⁷.

In July 2003 the anchor tenant Superquinn launched a new service "Click and Collect"⁸ which will allow shoppers buy online and collect purchases at their convenience. The company described the new service as Ireland's first drive-through shopping facility. In 2002, Superquinn's online turnover hit €12.5 million, 40 percent higher than the previous year.

An issue facing Buy4Now in the short term is the area of new partner additions to the site. CEO Ali Murdoch is not interested in merely having click through arrangements. *"I have no interest in doing that, it's of no value to my customers.*

6 Interview with Julie de Baillencourt, Content Manager, Buy4Now, 20th January 2004

7 Ibid

8 www.electricnews.net/news 8th July 2003 Superquinn launches Click&Collect

*Everyone of our stores is a real Buy4now store. We run it, we manage it, we have the call centre. If you register with us, you can use your card at each checkout, so we believe we add value. I don't believe we'd add value on a click through. We need partners that fit the Buy4Now business model"*⁹.

THE BUY4NOW CUSTOMER

Currently, approximately 45% of Buy4Nows 90,000 registered users are Superquinn customers shopping regularly once a week or once every two weeks. At the launch of Buy4Now, CDs were distributed in all Superquinn stores showing customers how to use the new site and shop online.

Customer retention rates achieved by the portal are a reflection of satisfaction with the products received and the processes involved. As described by Katriona O Leary¹⁰ *"Once customers have done two shops or more (grocery shopping) they are a customer for life because most people can't face going back into the supermarket once they are used to getting it online"*.

The remaining 55% of Buy4Now customers are people who in a given year may shop 6 to 10 times with Buy4Now. However, as noted by Katriona O Leary, *"You find that people will shop maybe at Christmas and they will shop at Valentine's Day and the next year you might find that they will shop Christmas, Valentine's Day and Mother's Day and it slowly builds up and then they start shopping for books or shopping for deals in Arnotts or whatever"*¹¹.

There is also a strong conversion rate between Superquinn shoppers and the other partner stores. If customers shop successfully online once, it is more tempting for them to try something different from the other partner stores. Approximately 20% of the Buy4Now database had never shopped online before shopping with Superquinn for the first time. Buy4Now's busiest days and times would be typically Wednesday and Thursday lunchtime, though all lunchtimes are busy. After 5.30 pm/6 pm until 9 pm there is another surge of activity. Weekends would be typically quieter.

Buy4Now has used the WebTrends software package to date

9 Interview with Ali Murdoch, CEO, Buy4Now, 20th January 2004.

10 Interview with Katriona O Leary, Marketing & Operations Manager, Buy4Now, 8th January 2004.

to generate and analyse customer and site statistics and information but is investing in new software for 2004 which will facilitate an improved level of data collection and analysis. This will enhance Buy4Now's ability to target customised communications to consumers. Customer panels and focus groups are planned for March 2004 to assess customer satisfaction levels and site perceptions. The second iteration of the Buy4Now site went live on 13th May 2002 with the third redesign due to be introduced in November 2004.

PROMOTING THE BUY4NOW OFFERING

"Register and win" promotions are run online every two months to try to convert visitors to registered customers. Traffic is driven to the site through a combination of search-engine marketing and promotions through partner stores where radio campaigns are run in conjunction with in-store promotions. There is an estimated 2.2 million footfall in the stores over any given week.

Improved customer data and profiling has led to improved traceability and tracking of promotions by, for example, incorporating unique voucher codes as in the case of AIB (Appendix 6). This incentive scheme went out to all 450,000 AIB credit card customers encouraging online purchases within a specific time-frame to avail of discounts with featured retailers.

Customer contact and service provision remains a key feature and focus of the Buy4Now offering. According to Buy4Now's Marketing & Operations Manager, *"plans are in place that every time a new customer shops with Superquinn a call is generated in our call centre software, which we have designed and integrated into the whole system, and within 24 hours of them receiving their first delivery they have a call from the customer service representative and customers appreciate that ... it's very important especially when people are used to going into a supermarket, specially like Superquinn as Superquinn would be very much involved in customer service"*¹².

Buy4Now is considering involvement in affiliate schemes during 2004. Involving increased expenditure, such techniques

11 Ibid

12 Ibid

would give increased coverage to an online audience. Such investments are now warranted by the increasing size of the online target audience. In the past radio and print advertising would have taken more of the budget. The Buy4Now in-house newsletter goes out to 90,000 people once a month. The company won the online trader category award at the 2003 IIA & Invest NI Net Visionary Awards¹³. The company also has plans to create an additional role within the marketing area to deal specifically with search-engine marketing for the Buy4Now site and its partner stores. For 2004, Buy4Now also plans to conduct a retail survey with eircom on online shopping, focusing in part on Buy4Now's brand recognition and awareness levels after three years full trading activity.

UNWRAP CHRISTMAS WITH BUY4NOW

In its first Christmas season Buy4Now reported sales of £750,000 (Appendix 7). In the approach to the following Christmas season 2001 certain market characteristics emerged. The B2C market continued to mature but also it became apparent that consumers were more reluctant to buy online than previously thought. Companies with expertise in supply chain management and knowledge of branding were emerging as the stronger players. Buy4Now now delivered around 1,800 grocery orders a week of which about 1,000 were to regular weekly customers. At the end of 2001 the site had become *eircom.net*'s shopping channel and launched Ireland's first dedicated online gift store. Christmas sales for 2002 were strong reinforcing the importance of the convenience factor with more people turning to online shopping as a fast, hassle free shopping alternative. The company dealt with 3,000 deliveries a week during the Christmas period as opposed to the 1,500 weekly deliveries it made in the same period the previous year.

The company announced in November 2003 that it added four new partners to its portal for the Christmas period, Appleby Jewellers, Discount Electrical, World of Wonder Toys and Diageo Ireland. Wineroom.ie is an initiative with Diageo Ireland, where the consumer purchases a bottle of wine, selects an off-licence closest to them and has the purchase delivered to

13 Further information from www.netvisionary.ie

their door by their local off-licence outlet. Appleby Jewellers have a function on their site which allows customers to ask them to spec out an engagement ring for them which has generated 30 to 40 enquiries a week.

A new Christmas brochure was launched for the 2003 season with a print run of 100,000 (Appendix 8) with the expectation of selling €5.5m worth of goods in the pre-Christmas spending spree. This would mark an increase of almost 8% on the €5.1m in sales handled in the same period the previous year. 1,000 orders were processed on 23rd December alone, in comparison to 2,500 orders a week in off peak times. Approximately 5,500-6,000 orders were processed in the four weeks prior to Christmas. More than one third of Buy4Now's annual revenue is accounted for at Christmas and the company expected more than 350,000 online shoppers to visit its site in December 2003, with membership numbers topping 100,000 by the end of the year.

Giftstore.ie was re-branded to Ribbons&All as an experiment for Christmas. Ali Murdoch CEO describes Ribbons&All as, *"Our attempt at providing speciality gifts, products that are interesting. It's about giving the customers a choice, and it's an introductory point for future partners"*¹⁴. Appleby Jewellers originally began selling through the gift store, which also allows smaller suppliers with fringe products a foothold onto Buy4Now. The Christmas store 2003 also provided a test vehicle for the Central Checkout concept, a project which Buy4Now plans to introduce across the full portal in 2004. Central Checkout involves taking products from each retailer and putting them together to fulfil them.

Christmas 2003 also saw an expanding ex-patriate market purchasing from the Buy4Now site, as noted by Julie de Balliencourt. *"We tend to get more business now from abroad for example a lot of people are buying from Australia or the States for gifts delivered to Ireland for Christmas. A lot of people especially from the US were buying their toys from World of Wonder at the start of December. They knew everything would be delivered and they were arriving in Dublin on the 22nd and 23rd. Others, people living in the States for a long time, are just doing a search for Irish websites because they*

¹⁴ Interview with Ali Murdoch, CEO, Buy4Now, 2004. 1. 2004

know that it is priced in Euro, and they would know the brands. Arnotts, for example, is a huge crowd puller, and Carroll's Irish Gifts as well, they sell fantastically well to Germany, all over Europe and the States"¹⁵.

OUTLOOK FOR 2004

In 2002 the company embarked on a mission to grow its international business, specifically the sale of its software and business model overseas. So far the company has invested over €1 million in its software product set and an additional €100,000 in sales and marketing to promote its technology abroad.

Buy4Now has developed its own technology in-house and is now focused on remodelling its core software to be sold internationally to other companies who wish to establish similar types of businesses. The main market under consideration is the US where the company has spent the last 18 months talking to US retailers, with some assistance from Enterprise Ireland. The UK market is very well developed but may along with Germany and other European markets be considered at a later stage in the expansion process.

The US market is a complex one for egrocers as summarised by CEO Ali Murdoch. *"The US had Webvan, which was a classic dotcom disaster, it had opened 26 warehouses in 20 different locations and went through \$800m investment, and they bought their main competitor and then went wallop. So you have what people call e-truisms, and the e-truism was that you can't make money in grocery online in the USA so everybody stopped and very few people filled the vacuum. A couple of bricks and mortar retailers on the West coast like Albertsons did do something but the East coast has been devoid of any real activity for quite a while. The only people who survived that time were Peapod who were bought by Royal Ahold, the Dutch organisation. So you had Peapod on the East coast and Albertsons and now Grocery Works with Tesco on the West coast. Last year Fresh Direct opened in New York, in Manhattan, which is a pure play warehouse, and they went from zero to many million turnover in one year ... so suddenly people were willing to look at this again"*. Further US egrocer information is presented in Appendix 9.

¹⁵ Interview with Julie deBaillencourt, Content Manager, Buy4Now, 20th January 2004.

The US market is composed of two types of players; firstly, companies like Tesco who've developed their own technology. To enter the US they bought 40% of Safeway for \$40m and part of the buy was that they gave the technology across. The second group is software houses who have written the online software. Unlike Buy4Now they don't actually have an end-to-end solution; they lack the order fulfilment side and the hand held picking device side of the business. These companies have the commercial websites but lack access to the end-to-end solution that is the unique selling point of the Buy4Now software offering.

Organisational changes, the setting up of an American office and new appointments in the Irish side of the business in January 2004 reaffirm the companies' commitment to expansion both domestically and internationally within the US marketplace (Appendix 10). As suggested by the CEO Ali Murdoch, *"Working in the States can generate significant profits for the bottom line. We're now moving into phase two of the business, which is to grow the Irish business and at the same time replicate the software technologies and generate hefty profit margins for the company. That's the key challenge at the moment, and it's exciting for us. We're growing – you get a bit of a buzz around the place"*¹⁶.

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¹⁶ Interview with Ali Murdoch. CEO Buy4Now. 20th January 2004.

APPENDIX 1:

CONSUMER PRESS RELEASE (4TH OCTOBER 2000)

Buy4Now Set to Revolutionise Shopping in Ireland

Buy4Now, the innovative retail website that offers Irish people a fast, convenient and hassle-free way to go shopping, will go live tomorrow (Thursday, 5th October 2000). Irish people, for the first time ever, can shop online for their every need and receive delivery swiftly and conveniently to their door. Over 25,000 products are available at Ireland's online one-stop-shop from leading Irish retailers such as Atlantic Homecare, Arnotts, Eason Bookshops, *eircom* Stores, Ereba Insurance Group, Louis Copeland, Sheilas Flowers, Galleria Homewares, Natures Way, Tusa in-store banking, Superquinn food, wine and gifts and Toyota Ireland.

Speaking at the launch, Buy4Now Chief Executive Officer, Ali Murdoch, said, "*Buy4Now will provide a completely new shopping experience for people in Ireland. With Ireland's most trusted and well-known retail brands trading on-site, customers can be confident that the goods they buy online will be the same quality as those they would buy in-store, but with all the hassle-factor taken out of the equation.*"

As with all retail ventures, repeat custom will be the cornerstone of Buy4Now's success. This one-stop shop will allow the shopper to personalise the Buy4Now website to meet their every individual shopping need. Repeat shopping is made easy by using the customised format 'My Buy4Now', which enables shoppers to cut straight to the goods they know and want, saving time and effort. For even more convenience, the site's in-built search engine will allow customers to run an easy-to-use and fast search across stores and products with only a few clicks.

Buy4Now is currently valued at IR£15 million, and this is set to increase with an expected rise in the level of internet users in Ireland, which is currently estimated at just under 700,000. Buy4Now is running a IR£1 million marketing campaign which continues through to February 2001 to promote the launch. It comprises outdoor, radio and TV campaigns in tandem with direct marketing and public relations programmes. The TV campaign commences mid October. Since launching the registration page on 31 August

indicates the huge volume of interest in the online shopping and delivery concept in Ireland.

Buy4Now's strategy is the creation of a sound commercial concern for the long-term. Buy4Now is not a dot-com venture with a view to short-term flotation. Projected sales for the site is €15 million for year one. Buy4Now is based in Blackrock and currently employs 14 people

Wednesday 4th October 2000 : For further information, please contact:

Steve Cullen,
Marketing &
Operations Director
Buy 4 Now.

E-Mail: Steve.Cullen@b4n.ie

Tracey Nicol/ Suzanne
Donnelly,
Drury Communications
Tel: 01 260 5000

E-Mail: sdonnelly@drurycom.com

APPENDIX 2:
SHAREHOLDERS AS AT END OF FINANCIAL YEAR
31ST MARCH 2003

Name	No of Shares
Ali Murdoch	36,600
eircom	26,400
Superquinn	13,500
Michael Veale	9,400
Heiton Group	9,000
Unipower	8,000
Dan Murphy	6,600
Steve Cullen	5,200
Mark Cahalane	1,500
Kevin Murray	1,500
Patrick Golden	1,200
Andrea Fitzgerald	500
Richard Bourke	400
Katriona O'Leary	200
	120,000

Source: Companies Registration Office (2003) www.cro.ie

APPENDIX 3:
PROFILE OF EXECUTIVE DIRECTORS OF BUY4NOW
(Press Release: October 2000)

Managing Director: Ali Murdoch

Ali has 11 years sales experience in the I.T. industry in both product and service led organisations. Ali's most recent role has been as sales manager and sales director designate for ICL Ireland where he was responsible for all sales in the Republic of Ireland territory. He also handled the ICL retail sector for the past two years on an all-Ireland basis and has senior contacts within each of the major players in the Irish retail marketplace.

Sales Director: Michael Veale

Michael has 14 years experience in working with retailers in the I.T. industry. His most recent role was as the senior account manager with ICL Ireland. Michael's extensive experience comes from having worked in software development, consultancy and sales within the retail sector. Michael has a diploma in Computer Science but spent all of his technical life working on retail solutions. He has extensive experience of all facets of the latest retail technologies including ESEL, Self-Scanning, Internet Shopping and picking solutions.

Marketing & Operations Director: Steve Cullen

Over ten years experience in the I.T. industry has left Steve with an excellent grasp on product marketing and logistics. Steve has managed a considerable reseller base for Fujitsu Siemens as well as handling marketing and sales for the introduction of a new brand of PC's to the Irish marketplace. In his previous role with Fujitsu, he was also responsible for the corporate marketplace. Steve was recently awarded European salesman of the year for his success in growing this business in Ireland.

Technical Director: Dan Murphy

Dan has in excess of 15 years experience in the I.T. industry. His previous role in Enterprise Ireland saw Dan at the highest

grade possible within the Irish government for I.T as a manager of business applications. Dan is an expert in RDBMS design and C, C+ and Java and has excellent all round technical skills as well as having held such posts as CEO of the Ingres Users group for Ireland.

Finance Director: Kevin Murray

Kevin is a fully qualified Chartered Accountant with honours Degree in Business Studies from Trinity College Dublin. He has held several senior financial posts and has significant experience of tax compliance and planning, financial accounting, management accounting and investment and business appraisal. For the last 3 years, he has acted as Financial Controller for ICL Ireland.

Vincent O'Doherty: Chairman

Vincent O'Doherty graduated from University College Dublin in 1956 with a first-class honours degree in Mechanical and Electrical Engineering. He spent the first five years of his career in Canada, mainly in Montreal, working with Westinghouse Electric Corporation and Brown Boveri (now ABB). On his return to Ireland in 1961 he worked in a variety of marketing and management positions. He spent six years in management consulting, about half of which involved projects in Britain. From 1971 to 1980 he was Managing Director of a group of companies in the building materials sector.

He became a non-executive Director of Superquinn in 1972 and in 1981 became a full-time Executive Director of the company, and was appointed its Chairman. In Superquinn, Vincent takes responsibility, amongst other things, for the financial direction of the company and for its property development and strategic planning. He is a former President of Dublin Chamber of Commerce, and is also a former President of the British Council of Shopping Centres. He is a non-executive director of Heiton Holdings plc and is a director of Co-Operation Ireland.

APPENDIX 4: RETAILING FORMATS

"Bricks & Mortar" retailers/Stationary retailers

Out of the many forms of retailing illustrated in Figure 1 below, stationary retail formats are the most familiar ones for very day shopping. Following the latest terminology, stationary retailers are called "bricks & mortar" companies, meaning that these stores have physical assets mainly in stores and distribution facilities (Kotzab & Madlberger 2001).

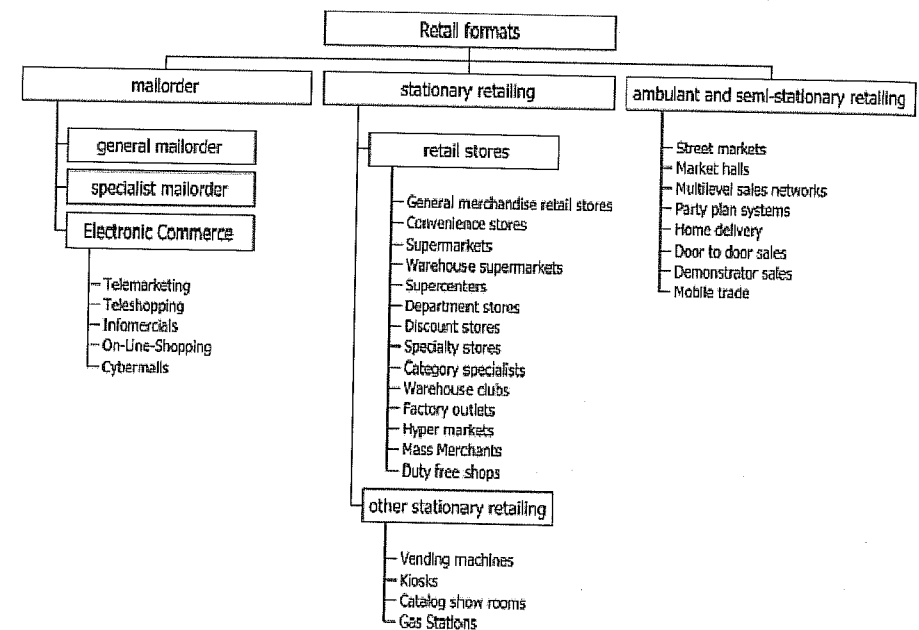
"Clicks & Mortar" retailers/etailers

Recently electronic retailers, a new type of non-store based retailing are attacking stationary retailers' market position. Dotcoms or virtual stores like Amazon.com have entered the market and taken serious market share from existing players. The basic characteristics of these companies is that they do not have any physical stores and market direct to consumers through the Internet (Kotzab & Madlberger 2001).

E-retailing

E-retailing is the sale of products and services to the consumer market, over the Internet. It can be expected to evolve further to include the sale of products and services over a variety of Internet protocol and alternative package networks (e.g. ATM networks). E-retailing is also referred to variously as e-tailing and business to consumer (B2C) e-commerce (electronic commerce).

Figure 1: Retail Formats



Source: Kotzab H. & Madlberger M. (2001) "European retailing in e-transition?: An empirical evaluation of Web-based retailing- indications from Austria", *International Journal of Physical Distribution and Logistics Management*, Vol.31, No.6, pp. 442.

APPENDIX 5: BUY4NOW

Annual Review of First Year Trading

Irish Retail Portal has Successful Year Generating Revenues of €10.25 million

Highlights:

- On-line turnover for the first year of trading reaches €10.25 million.
- Buy4Now to become profitable in next quarter (i.e. January 2002 – March 2002). Management anticipates online turnover of €15 million with profits in excess of €250,000 for next financial year-end.
- Site 'traffic' has grown significantly since launch last October with over 100,000 visitors to the portal each

month and 2.2 million page impressions. This positions Buy4Now as the largest B2C site in Ireland by a considerable margin.

- Over 2 million products on sale through portal.
- Food on-line with Superquinn4Food has good year with over 25,000 registered shoppers. Buy4Now currently delivers over 1,500 individual food orders per week with an average value in excess of €100.
- Buy4Now recently completes exciting new deal with *eircom* to deliver Ireland's first dedicated gift store which represents the *eircom.net* shopping channel.

With two million products and seventeen Irish stores currently trading on-line through the Buy4Now portal, the 'clicks and mortar' business focusing on Internet shopping in Ireland, has had a successful first year of trading. Commenting Ali Murdoch, Chief Executive of Buy4Now said: *"After much scepticism about on-line shopping and the technology sector in general, Buy4Now has clearly shown over the past twelve months that there is a viable and real alternative to shopping and shopping queues as we know them. We are satisfied with our year-end performance which is slightly ahead of our targets, and look forward to becoming a profitable entity over the next few trading quarters."*

-ENDS-

Wednesday 17th October 2001

Issued on behalf of Buy4Now by Drury Communications.

For reference:

**Ali Murdoch
Chief Executive
Buy4Now**

Tel: 01 209 0540

E-mail: ali.murdoch@buy4now.ie

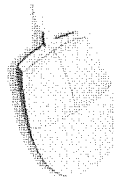
APPENDIX 6: AIB PROMOTIONAL MATERIAL

Side One

What do I get?

You can avail of all the offers listed below OIKCE at any time over the next 3 months.

- Atlantic Homecare:**
15% off your next order online at www.atlantic.ie and free delivery
- Discount Electrical:**
5% off your next order online at www.discountelectrical.ie
- Ribbons & All-Gift Store:**
10% off your next order online at www.RibbonsAndAll.com
- Classic Furniture:**
5% off your next order online at www.classicfurniture.ie
- Galleria Homewares:**
10% off your next order online at www.galleria.ie
- Shelias Flowers:**
10% off your next order online at www.shelias.ie
- Galaxy Computers:**
Free delivery on your next order online at www.galaxycomputers.ie
- Kashan Carpets:**
15% off your next order online at www.kashan-carpets.com
- World of Wonder Toys:**
5% off your next online order at www.worldofwonder.ie (excludes computer games and computer game consoles)
- Gresham Hotels:**
10% off your next booking online at www.gresham.ie
- Appleby Jewellers:**
10% off your next order online at www.appleby.ie (excluding watches)
- Superquinn:**
Get 500 SuperCent when placing your next order online at www.superquinn.ie
- Arnotts:**
Purchase online at www.arnotts.ie before 31st January 2004, and enter our draw for a Sony Home Cinema DVD-Video-Hi-Fi system.



*NB: These offers are applicable to OIKCE orders only. They cannot be used in-store. Each discount can only be used OIKCE during a three month period.

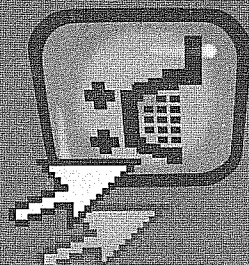
Terms & Conditions

- Only AIB customers may avail of the incentive offered in this scheme.
- Offers are valid ONLINE ONLY and include all hardware and software products only.
- You may NOT receive any discounts and free delivery shipping incentive.
- Offers are in effect only during the period 27th January 2004.
- A credit card must be used for all of the offers in the incentive scheme during a three month period.
- AIB's system reserves the right to amend, withdraw or terminate the incentive scheme or stop the participation of participating retailers without prior notice should the offer is considered to be inadequate for ensuring the overall success of the promotion.
- There is no cash back or credit for any unused incentive.
- Offers are only valid once.
- The incentive offer may only be available by those who have within the designated activation period. Any offer being outside the activation period will not take up the offer.
- The AIB will not be responsible for any offer that cannot be used by a customer.
- Customers are not eligible for the €1,500 quarterly competition.

All AIB terms and conditions are regulated by the Irish Financial Services Regulatory Authority.



Log on to
www.buy4now.ie
and check out some
amazing discounts unique
to AIB Credit Card
customers.



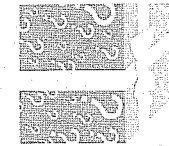
Be with AIB



Side Two

What's it all about?

Buy4Now.ie is Ireland's online shopping centre, putting Ireland's favourite retailers right there on your screen.



You simply log on to **www.buy4now.ie** and choose from thousands of products in Arnotts, Essons, Atlantic Homecare, Superquinn and many other high quality retailers.

All you have to do is browse, choose and pay with your AIB Credit Card to qualify for a range of special additional discounts.

You can view the available discounts at any stage by logging onto **www.buy4now.ie/aib** where you will find a complete list and links to each store.

If you need any help, don't hesitate to contact the Buy4Now.ie helpline on 1890 209 309 (lines are open Mon-Fri 9am-9pm, Sat 9am-5pm. Calls are charged at a local rate).

How do I get it?



Step 1.

Log on to **www.buy4now.ie**



Step 2.

Choose your purchase.



Step 3.

Go to the checkout and enter your unique voucher code.



Step 4.

See the discount applied. Enter your AIB Credit Card details. Click OK. Done.

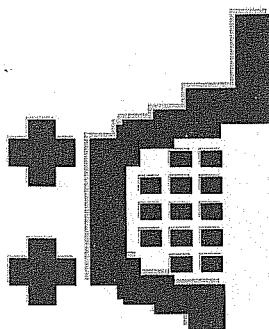
Your voucher code is:

QA2AH9Q

Try it now.

Just click onto **www.buy4now.ie** and start saving! As an additional incentive, every time you use your AIB Credit Card on **buy4now.ie** you are eligible to enter a competition to win €1500 every quarter.

Which could make it quite a Christmas!



What do I get?

You can't wait all day! The delivery of your shopping basket is guaranteed. All your items are delivered to your door.

APPENDIX 7:
BUY4NOW DELIVERS 1000 CHRISTMAS DINNERS TO
IRISH HOMES

Buy4Now – The New Way for Ireland to go Christmas Shopping

Ireland's shopping portal Buy4Now has reported Christmas sales to date of over £750,000. For the first time in Ireland, over 1000 Christmas dinners are being delivered by the Buy4Now vans this week to homes across Dublin, Wicklow and Kildare. The vans will continue delivering seasonal fare right up to Saturday 23rd December. Buy4Now members can do their shopping "a la carte" or opt for one of the fixed recipes such as the Superquinn recommended Christmas Dinner. Buy4Now will then pick out each ingredient required for the recipe and deliver it to the customer's door, along with step-by-step cooking instructions. Wine can also be ordered from the separate extensive online wine store.

Popular seasonal grocery items on the site typically include hams, goose, stuffing, and turkeys - interestingly 50% of the turkeys ordered are either free range or organic. Buy4Now's Christmas Store section, which sells and delivers everything from CDs to cufflinks, has processed over 1000 orders in the last three weeks - 80% of these were requested to be gift-wrapped for delivery.

Ali Murdoch, Managing Director of Buy4Now, commented, *"The Christmas Store has been very successful with orders coming in from as far away as Japan and the USA, as well as countries closer to home such as the Netherlands, Sweden and Denmark. A lot of the orders are made by Irish people living abroad, returning home for Christmas holidays, who do not want to carry a load of presents home with them and who do not have the time or the inclination to do all their Christmas shopping when they get here"*. Items in demand through the Christmas Store section include Superquinn hampers and toys from Byrnes World of Wonder. The Arnotts and Atlantic Homecare stores also performed well in the run up to Christmas.

Buy4Now auctioned off a Sony Playstation 2 this week online - the highest bid was £601. All proceeds from the auction

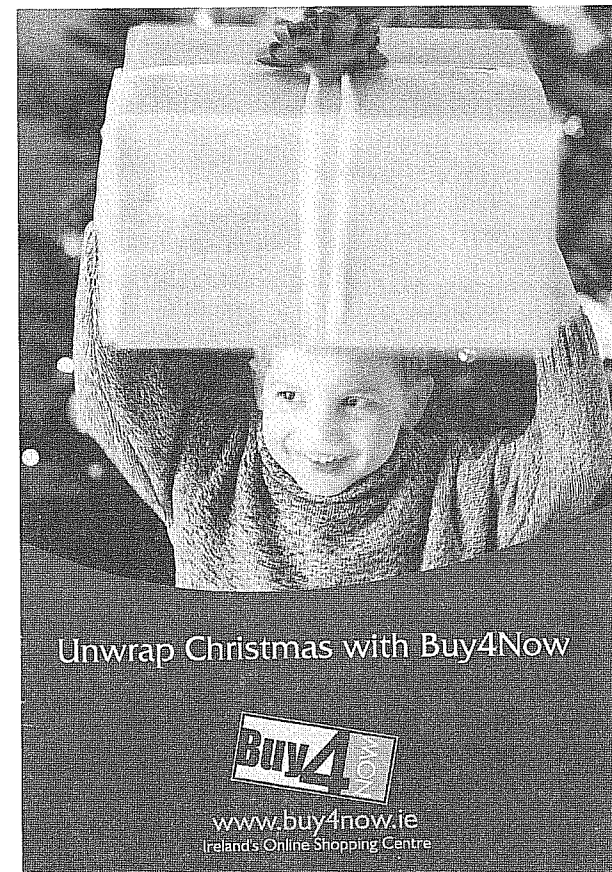
will be donated to the international charity for terminally ill children, the 'Make A Wish' Foundation. There are already plans to open five new stores in the New Year, covering toys, kitchen tableware, audio visual, flowers and hampers. - ends -

Press release: 22 December 2000

For further information, please contact:
Tracey Nicol @ Drury Communications
Tel: 01 260 5000.
E-Mail: tnicol@drurycom.com.

APPENDIX 8: CHRISTMAS BROCHURE 2003

Front Page of Brochure



Page 4 of Brochure

How to shop with Buy4Now, Ireland's online shopping centre

When you visit Buy4Now.ie, you can browse through over 2 million products available from 18 online stores. All items featured in this magazine are just a small sample of the choice available with Buy4Now.

How do I order?



3 ways to shop:

1. Log on to a Buy4Now partner store

Check out each retailer's complete online range and purchase in a few simple clicks. Check out www.eason.ie for books, www.atlantic.ie for furniture and DIY etc.

2. Buy online from www.buy4now.ie/xmasstore

Where you will find all the items featured in this magazine. This Christmas, we have selected some of the best products from all the Buy4Now retailers, and put them all in one store. This means you can purchase great gifts from different retailers and get one convenient delivery.

3. Order by phone

To order any of the products featured in this magazine, simply call our telesales line on 1890 289 669 (lines are open Mon-Sat 9am-6pm. Calls charged at a local rate).

How do I pay?



Whether you are ordering online or by phone, all Buy4Now stores accept Laser, Visa and MasterCard.

Is there a delivery charge?



Yes, unless otherwise stated. All Buy4Now partner stores have different delivery rates, which you can check on www.buy4now.ie/deliveries. When you buy from a Buy4Now store, delivery charges are always clearly stated before you purchase.

If you order by phone or via our convenient Christmas store (www.buy4now.ie/xmasstore), delivery charges are as follows: Dublin, Wicklow, Meath, and Kildare: delivery is €10 regardless of the amount you order. Rest of the Republic of Ireland: from €10 for 1-3 items, to €40 maximum for 14 items and over.

How quickly will I get my items?



Most stores aim for a turnaround of 3-6 working days in Ireland. Based on product size and availability this might take a little longer, but Buy4Now will always keep you updated.

Christmas deliveries



Place your order online or by phone before December 18th at noon, and we will guarantee delivery before Christmas in the Republic of Ireland. While we will endeavour to fulfil orders placed after the 18th of December, we cannot guarantee their delivery before Christmas.

The Buy4Now Guarantee

Perfect quality products - Best pricing - Totally secure transactions
Convenient delivery - Best customer service - Refunds & return policy



www.buy4now.ie
Ireland's Online Shopping Centre

APPENDIX 9: THE MAJOR EXISTING AND FORMER E-GROCCERS IN THE USA

	Tesco UK	Webvan USA	Streamline USA	Peapod USA
Background	The biggest supermarket chain in the UK	Started as a pure e-grocer in 1999	Started as a pure e-grocer in 1992	Started home delivery service before the Internet in 1989
Investments in e-grocer development	USD 58 million	Approximately USD 1,200 million	Approximately USD 80 million	Approximately USD 150 million
Main operational mode	Industrialised picking from the supermarket	Highly automated picking in distribution centre (DC)	Picking from the distribution centre, reception boxes, value adding services	Picking from both DC and from stores
Current status	The biggest e-grocer in the world Expanding its operations outside the UK Partnering with Safeway and GroceryWorks	Operations ceased July 2001	Part of operations were sold to Peapod in September 2000. The rest of operations ceased in November 2000	Bought by global grocery retailer Royal Ahold Second biggest e-grocer in the world

Source: Tanskanen K., Yrjölä H. & Holmström J. (2002) "The way to profitable Internet grocery retailing – six lessons learned", International Journal of Retail & Distribution Management, Vol. 30, Number 4, p.170.

For further information on the above visit: Tesco (www.tesco.co.uk) and Peapod (www.peapod.com).

For further information on companies cited in the case visit: Albertsons (www.albertsons.com) Royal Ahold (www.ahold.com) Grocery Works (www.groceryworks.com) Fresh Direct (www.freshdirect.com) and (www.safeway.com).

For additional background see also Walmart (www.walmartstores.com) and My Web Grocer (www.mywebgrocer.com) for e-grocer information.

APPENDIX 10
BUY4NOW EMPLOYEES (FEBRUARY 2004)

Sandyford Office**Management Team**

Ali Murdoch – CEO

Steve Cullen – US Director

Pat Golden – Director for Ireland

Kevin Murray – Financial Director

Call Centre

Claire Ashworth – Call Centre Manager

Emma Ryan

Alan Kinsella

Sarah Gibbons

Technical Team

Dan Murphy – IT Director

Richard Bourke – Senior Technical Manager

Allen Corcoran – Project Manager

TBC – Database Administrator

Software development team:

Neil Murtagh

Kevin Roche

David Flynn

John Morgan

John Hannon

Gearoid Healy

TBC

TBC

Sales/Marketing

Michael Veale – Sales Director

Ross Gillanders – Sales Executive

Katriona O'Leary – Marketing and Operations Manager

Julie deBaillencourt – Content Manager

Jan Allen – Assistant Content Manager

TBC – Search Engine Marketeer

Buy4Now Logistics – Blanchardstown Office

Tom Kerr – Logistics Manager

Paul Cook – Assistant Logistics Manager

Peter Hayden – Driver Supervisor

Drivers x 19

APPENDIX 11:
BUY4NOW LIMITED

Abbreviated Balance Sheet

31st March 2003

	2003	2002
	€	€
FIXED ASSETS		
Tangible Assets	137,413	198,278
Financial Assets	76	76
	<u>137,489</u>	<u>198,354</u>
CURRENT ASSETS		
Debtors	809,988	629,150
Cash at bank and in hand	696,106	1,248,939
	<u>1,506,094</u>	<u>1,878,089</u>
CREDITORS:		
Amounts falling		
due within one year	<u>305,751</u>	<u>708,962</u>
NET CURRENT ASSETS	<u>1,200,243</u>	<u>1,169,127</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,337,832</u>	<u>1,367,481</u>
CAPITAL AND RESERVES		
Called up equity share capital	1,200	1,200
Share premium account	4,100,124	4,100,124
Profit & loss account	(2,763,492)	(2,733,843)
SHAREHOLDERS' FUNDS	<u>1,337,832</u>	<u>1,367,481</u>

Notes to the Accounts**1. Fixed Assets**

	Tangible Assets €	Financial Assets €	Total €
COST			
At 1st April 2002	387,676	76	387,752
Additions	72,187	0	72,187
At 31st March 2003	<u>459,863</u>	<u>76</u>	<u>459,939</u>
DEPRECIATION			
At 1st April 2002	189,398		189,398
Charge for the Year	133,052		133,052
At 31st March 2003	<u>322,450</u>	<u>—</u>	<u>322,450</u>
NET BOOK VALUE			
At 31st March 2003	<u>137,413</u>	<u>76</u>	<u>137,489</u>
At 31st March 2002	<u>198,278</u>	<u>76</u>	<u>198,354</u>

Source: Companies Registration Office 2003, www.cro.ie